



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C. 20460

OFFICE OF  
WATER

MAR 29 1989

MEMORANDUM

SUBJECT: Guidance for Financial Responsibility in  
Federally-Administered UIC Class II Programs  
UIC Program Guidance #65.

FROM: Michael B. Cook, Director  
Office of Drinking Water (WH-550) *Michael B. Cook*

TO: Water Management Division Directors  
Regions I-X

Purpose

This guidance revises previous procedures for financial responsibility demonstrations by Class II injection well operators. Specifically, this guidance incorporates a number of the recommendations the national Workgroup developed after assessing experience, to date, in this aspect of direct implementation programs.

Background

UIC Program Guidance #39, issued on May 29, 1985, supplemented ODW's June 1984 guidance manual on "Financial Assurance for Federally-Administered UIC Programs." In keeping with the initial Agency decision to allow for the use of flexible criteria by the Regions to determine the adequacy of financial responsibility mechanisms, a Workgroup was formed in late 1987 to evaluate program experience, to date, and to revise/update program guidance wherever necessary. The Workgroup was specifically charged to investigate alternatives and improvements for Class II operations since they constitute the largest part of the regulated community and have posed the most difficult compliance issues in this area. These changes will be the first part of a longer term effort to revise the Guidance Manual.

## Guidance

The Workgroup recommendations that have been endorsed by ODW management are grouped topically. Highlighted in Attachment I are areas where the Workgroup will continue to examine, refine or modify financial responsibility procedures.

Each area of change is highlighted with an explanation of the need for the revision based on the Workgroup's review and findings.

### A. Financial Statements

#### 1. Recommended Revisions

\* All financial statement demonstrations should be updated and reviewed annually.

\* A "full" auditor's opinion is to be considered the only acceptable verification of the submitted Chief Financial Officer's (CFO) statement. In such a case, the CFO's letter must be accompanied by an auditor's opinion verifying the figures in the letter.

\* The only acceptable alternative to an independent auditor's opinion would be the submission of an annual corporate report distributed to shareholders, also known as a "glossy" financial statement, SEC 10K Report, or a FERC Form 2, which are audited documents.

#### 2. Rationale

\* Earlier guidance did not incorporate an update cycle for submissions of financial statements. However, the fundamental premise of the use of statements is as an indicator of current financial "well-being". Given the dramatic changes in oil industry economics, it is imperative to review them on a predictable, regular cycle which should alert a reviewer to potential financial difficulties; tracking and trend analysis of this data will help heighten the adequacy of this demonstration. Such a trend analysis will be examined under ODW's LOE contract with the goal of developing an early warning system that detects troubling financial trends. Many publicly-held corporations supply such data already to clients and shareholders, and the institution of this requirement will have minimal impact on the regulated community.

\* "Glossies", 10K or Form 2 reports are, in general, based on full scale audits and can be regarded as acceptable functional equivalents.

B. Bonds

1. Recommended Revisions

\* Require the review of all types of bond submittals to assure that the bonding company is tested (and approved) under Department of Treasury Circular 570.

A list of bonding companies active nationally in both primacy and direct implementation programs is supplied as Attachment II and may prove a useful tool for operators who have had difficulty in obtaining a bond.

2. Rationale

\* The need to review bond submittals against the Treasury circular was recommended in the initial guidance; this recommendation is reiterated here to underscore its importance.

C. Trustee Arrangements

1. Recommended Revisions

\* Assure the use of a "neutral" trustee not connected to the operator in a way which presents a potential conflict of interest. The banking institution the operator deals with would be a neutral trustee.

2. Rationale

\* Some States authorize attorneys to serve as trustees; the use of an attorney who also represents the owner or operator presents a potential for conflict of interest and must be avoided.

D. Alternative Method for Problem Cases

1. Recommended Revision

\* Allow for the use, at the Director's discretion, of a "time payment plan" within the framework of an Administrative Order on Consent (AOC) in cases where other options have not succeeded. A model AOC and suggested criteria for evaluating potential applications is supplied as Attachment III.

2. Rationale

The model AOC is to be used for problem cases, where an owner or operator has exhausted all options trying to secure an acceptable financial responsibility demonstration without success and remains in non-compliance. The AOC provides a viable alternative which would help avoid incurring a potentially unaddressed plugging liability. The AOC offers a cooperative approach which could allow for continued operation under the terms of a formal enforcement action while avoiding action that would drive operators to bankruptcy and avoid UIC Program requirements. In any such case, the payment schedule must be carefully negotiated between EPA and the operator to assure reasonable and timely coverage.

E. Plugging and Abandonment

1. Recommended Revisions

- \* Provides model documents in Attachment IV to:
  - call-in the financial responsibility demonstration from the surety, bank or trustee;
  - advise a trustee to activate the (standby) trust;
  - solicit the interest of potential plugging contractors in bidding for a turn-key plugging and abandonment job;
  - execute a contractual agreement between the trustee and the contractor; and
  - use as a sample plugging bid form.

2. Rationale

\* All the model languages provided offer a standardized approach to each step in the process of activating the financial responsibility mechanism(s). The models also should help expedite Agency directives through the trustee to the plugging contractor and assure an environmentally protective well closure.

Implementation

The above listed points are recommended for immediate implementation. A resource impact analysis of these activities of existing work load models is warranted only if these provisions prove burdensome. Resource impacts of these changes should be considered an integral element of the Annual Compliance Review, UIC Program Guidance # 64.

Questions on this guidance may be directed to J. Howard Beard at 382-7796 or George Hoessel, Region III, at 597-9928.

Attachments

# **ATTACHMENT I**

## ATTACHMENT I

### Areas of further investigation and analysis:

#### A. Financial Statements

- \* Further study of current financial statement criteria and other alternatives to assess confidence levels in their meaningfulness as indicators of economic health and equity considerations between large and small operator stability.
- \* Assess risk associated with trends and/or changes in financial statement demonstrations looking at a tie between well field viability and operator stability.

#### B. Bonds

- \* Assess risk associated with current practice of blanket bonds and the potential cost to the regulated community of eliminating them entirely.

#### C. Plugging and Abandonment

- \* Assess potential numbers of wells currently not plugged and abandoned within federal UIC program jurisdictions.
- \* Assess environmental risks and financial impact of the closure of such wells.
- \* Develop a prioritization scheme for action to address these problem wells.

## **ATTACHMENT II**

INVENTORY OF BONDING CO.'S ACTIVE  
NATIONALLY IN UIC/PRIMACY PROGRAMS

COMPANY NAME	STREET ADDRESS	CITY	STATE	ZIP	REGION
AFINA CASUALTY & SURETY CO.	151 FRANKLIN AVE.	HARTFORD,	CT	06100	REG V
AFINA CASUALTY & SURETY CO.	ATIN, LISA MILLER-	DENVER,	CO	80224	VIII
AFINA CASUALTY & SURETY CO.	P. O. BOX 500	ORANGE,	CA	92669	VIII
AMERICAN CASUALTY CO. OF PA	401 PENN STREET	READING,	PA	19601	REG 7
AMERICAN EMPLOYERS' INSURANCE CO.	709 SHERMAN STREET	DENVER,	CO	80203	VIII
AMERICAN HOME ASSURANCE CO.	709 FINE STREET	NEW YORK,	NY	10270	REG V
AMERICAN HOME ASSURANCE CO. NAT'L UNION	FIRE INSURANCE CO. FILLS.	NEW YORK,	NY	10005	VIII
AMERICAN INSURANCE CO.	(FIREMAN'S FUND)	DETROIT,	MI	48232	REG V
AMERICAN INSURANCE CO.	1785 SO. COLORADO BLVD.	DENVER,	CO	80222	VIII
AMERICAN INSURANCE CO.	FIREMAN'S FUND	RAVATO,	CA	94998	REG V
AMERICAN INSURANCE CO.	1839 STATE HIGHWAY 10	PARSIPPANY,	NJ	07054	REG 3
AMERICAN MANUFACTURERS MUTUAL INS CO	KEMPER GROUP EXEC. OFFICE	LONG GROVE,	IL	60049	REG V
AMERICAN SERVICE LIFE INS. CO.	300 RILEY	ST. MORTN,	TX	76107	VIII
AMERICAN SLOVNIAN CATHOLIC UNION	2439 GLENWOOD AVE	JOHNETT,	IL	60435	VIII
AMERICAN STANDARD LIFE & ACC INS. CO.	224 N. INDEPENDENCE	ENID,	OK	73701	VIII
AMERICAN STATES INS. CO.	70 PINE STREET	NEW YORK,	NY	10005	VIII
AMERICAN STATES INS. CO.	500 NO. MERIDIAN ST.	INDIANAPOLIS,	IN	46207	VIII
AMERICAN STATES INSURANCE CO.	1225 WASHINGTON PIPE	BRIDGEVILLE,	PA	15017	III
AMERICAN STATES INSURANCE CO.	500 NORTH MERIDIAN STREET	INDIANAPOLIS,	INDIANA	46207	REG. 3
AMERICAN TITLE INS. CO.	1101 BRICKELL AVE.	MIAMI,	FL	33131	VIII
AMERICAN TRUST LIFE CO. OF	BROADWAY PLAZA	INDIANAPOLIS,	IN	46204	VIII
AMERICAN UNION INSURANCE CO. OF NEW YORK	20 EXCHANGE PL. 12000	NEW YORK,	NY	10005	VIII
AMERICAN UNITED LIFE INSURANCE CO.	ONE AMERICAN SQUARE	INDIANAPOLIS,	IN	46204	VIII
AMERICAN UNIVERSAL INSURANCE CO.	144 MAYLAND AVENUE	PROVIDENCE,	RI	02940	VIII
AMERICAN WESTERN LIFE INS. CO.	9 EXCHANGE PLACE 4517	SALT LAKE CITY,	UT	84111	VIII
AMERICAN AMERICAN LIFE INS. CO.	425 AUSTIN AVENUE	WACO,	TX	76701	VIII
AMERICA LIFE INSURANCE CO.	10 WEYBOSSET ST	PROVIDENCE,	RI	02940	VIII
AMERICA MUTUAL LIFE CO.	10 WEYBOSSET ST	PROVIDENCE,	RI	02904	VIII
AMERCO LIFE INS. CO.	306 SO. 15TH ST.	OMAHA,	NE	68102	VIII
AMERCO MUTUAL LIFE INC.	200 E. RANDOLPH DR.	CHICAGO,	IL	60601	VIII
AMWEST SURETY INSURANCE CO.	401 DENVER STREET	WYOMING CITY,	CA	91367	VIII
AMWEST SURETY INSURANCE CO.	24 DRY CREEK CIRCLE, 1411	INDIANAPOLIS,	IN	46204	VIII
AMWEST SURETY INSURANCE CO.	P.O. BOX 1000	INDIANAPOLIS,	IN	46204	REG V
AXEL, MARTIN & AXEL, INC. OF COLORADO	1099 EIGHTEENTH STREET	DENVER,	CO	80202	VIII
AXEL, MARTIN & AXEL, INC. OF COLORADO	246 E. JANA AVE.	LOUISVILLE,	IN	40148	REG V
AXEL, MARTIN & AXEL, INC. OF COLORADO	BOX 18839	OKLAHOMA CITY,	OK	73154	VIII
AXEL, MARTIN & AXEL, INC. OF COLORADO	P.O. BOX 5900	MADISON,	WI	53705-0900	REG V
AXEL, MARTIN & AXEL, INC. OF COLORADO	4410 UNIVERSITY AVE.	MADISON,	WI	53705	REG V
AXEL, MARTIN & AXEL, INC. OF COLORADO	ONE INSURANCE SQUARE	CELEINA,	OH	45822	REG V
AXEL, MARTIN & AXEL, INC. OF COLORADO	2333 EAST BELLEVUE ST.	GRAND RAPIDS,	MI	49506	REG V
AXEL, MARTIN & AXEL, INC. OF COLORADO	P.O. BOX 1590	DENVER,	CO	80217	VIII
AXEL, MARTIN & AXEL, INC. OF COLORADO	P. O. BOX 212	SOUTHFIELD,	MI	48037	REG V
AXEL, MARTIN & AXEL, INC. OF COLORADO	CO. OF NEWARK, NJ	CITY CENTER SQUARE	KANSAS	64105	VIII
AXEL, MARTIN & AXEL, INC. OF COLORADO	1624 DOUGLAS STREET	OMAHA,	NEBRASKA	68102	REG. 3
AXEL, MARTIN & AXEL, INC. OF COLORADO	709 SHERMAN STREET	DENVER,	CO	80217	VIII
AXEL, MARTIN & AXEL, INC. OF COLORADO	15 MOUNTAIN VIEW ROAD	WARREN,	NJ	07061	REG 3
AXEL, MARTIN & AXEL, INC. OF COLORADO	7515 EAST HAMPTON AVE	DENVER,	CO	80231	VIII
AXEL, MARTIN & AXEL, INC. OF COLORADO	15 MOUNTAIN VIEW RD	WARREN,	NJ	07061-1615	REG V



IN. BONDING CO.'S ACTIVE  
NATIONALLY IN UIC/PRIMACY PROGRAMS

COMPANY NAME	STREET ADDRESS	CITY	STATE	ZIP	REGION
FIDELITY & DEPOSIT CO. OF MARYLAND	HOMER OFFICE	BALTIMORE,	MD	21203	VIII
FIDELITY & DEPOSIT CO. OF MARYLAND	6300 SOUTH SYRACUSE WAY	ENGLEWOOD,	CO	80111	VIII
FIDELITY & DEPOSIT CO. OF MARYLAND	30200 TELEGRAPH ROAD	BIRMINGHAM,	MI	48010	REG V
FIDELITY & DEPOSIT CO. OF MD.	CHARLES AND LEXINGTON ST.	BALTIMORE,	MD	21201	REG 3
FIREMAN'S INSURANCE OF NEWARK, NEW JERSEY	NO. 1 PEACHTREE HILL RD.	LIVINGSTON,	NJ	07039	REG 3
FEDERAL INS. CO. OF AMERICA	SAFECO INS. CO.	SEATTLE,	WA	98185	REG 3
HAMILTON MUTUAL INSURANCE CO.	1520 MADISON RD	CINCINNATI,	OH	45206	REG V
HANOVER INSURANCE CO.	100 NORTH LEXINGTON	WORTHINGTON,	MA	01605	REG V
HARTFORD ACCIDENT & INDEMNITY CO.	P. O. BOX 112	HARTFORD,	CT	06115	REG 3
HARTFORD ACCIDENT AND INDEMNITY CO.	HARTFORD PLAZA	HARTFORD,	CT	06115	REG 3
HOMER INDEMNITY CO.	59 MAIDEN LANE	NEW YORK,	NY	10018	VIII
HOMER INDEMNITY CO. OF NY	59 MAIDEN LANE	NEW YORK,	NY	10018	VIII
INDIANA INSURANCE COMPANY	115 N. PENNSYLVANIA ST	INDIANAPOLIS,	IN	46204	REG V
INSURANCE CO. OF NORTH AMERICA	1600 ARCH STREET	PHILADELPHIA,	PA	19101	REG 3
INSURANCE CO. OF NORTH AMERICA	INSURANCE CO. OF NORTH AMERICA	WATER, WICHITA,	KS	67202	VIII
INSURANCE CO. OF NORTH AMERICA	1100 DEWEY STREET	PHILADELPHIA,	PA	19101	REG V
INSURANCE CO. OF NORTH AMERICA	200 RENAISSANCE TOWER	DETROIT,	MI	48243	REG V
LIQUIDATOR OF ALLIED FIDELITY INS. CO.	11555 NORTH MERIDIAN ST.	CARMEL,	INDIANA	46032-4917	VIII
MARYLAND CASUALTY COMPANY	270 FARMINGTON AVENUE	CINCINNATI,	OH	45203	REG V
NATIONAL FIRE INS. CO. OF HARTFORD	270 FARMINGTON AVENUE	FARMINGTON,	CT	06032	REG 3
NATIONAL SURETY CORPORATION	P. O. BOX 2019	DALLAS,	TX	75221	REG V
NATIONAL UNION FIRE INS. CO. OF	PITTSBURGH, PA	PITTSBURGH,	PA	15222	REG V
NEWARK INSURANCE CO.	150 WILLIAMS ST	NEW YORK,	NY	10038	REG V
NORTHWESTERN NATIONAL INSURANCE CO.	GREENWOOD VILLAGE	ENGLEWOOD,	CO	80110	VIII
NORTHWESTERN NATIONAL SURETY CO.	P. O. BOX 1276	DES MOINES,	IA	50306	VIII
OHIO CASUALTY INSURANCE CO.	706 MICHIGAN NATL BANK BLDG	GRAND RAPIDS,	MI	49503-2988	REG V
OHIO CASUALTY INSURANCE COMPANY	126 NORTH THIRD STREET	HAMILTON,	OHIO	45025	REG 3
OHIO & GAS INS. CO.	P.O. BOX 1819	COLUMBUS,	OH	43216	REG 3
OVERSEAS INSURANCE COMPANY	2505 COURT ST.	GRAND RAPIDS,	MI	49506	REG V
PEPIN INSURANCE CO.	P.O. BOX 112	PEPIN,	IL	61554	REG V
RELIANCE INSURANCE CO.	3033 SOUTH PARKER ROAD	IRVING,	MI	48007	REG V
RELIANCE INSURANCE CO.	4 PENN CENTER	AMSTERDAM,	CO	80014	VIII
RELIANCE INSURANCE CO.	628 HERBORN STREET	PHILADELPHIA,	PA	19103	REG 3
ROYAL SPECIAL RISKS INSURANCE CO.	625 9TH STREET	GLASTONBURY,	CT	06033	VIII
RICHMOND MUTUAL LIFE INS. CO.	SAFECO PLAZA	SEATTLE,	WA	98185	VIII
SAFECO INS. CO. OF AMERICA	SAFECO PLAZA	SEATTLE,	WA	98185	VIII
SAFECO INSURANCE CO. OF AMERICA	P. O. BOX 5602	SEATTLE,	WA	98185	VIII
SAFECO INSURANCE COMPANIES	SAFECO PLAZA	SEATTLE,	WA	98185	VIII
SAFECO INSURANCE COMPANY OF AMERICA	300 NORTH 6TH ST	BOISE,	ID	83701	VIII
SAFECO LIFE INS. CO. OF IOWA	60 WASHINGTON ST	HARTFORD,	CT	06102	VIII
SAFEGUARD INS CO	100 WILLIAM ST.	NEW YORK,	NY	10038	VIII
SEA INS CO LIMITED	90 WILLIAM STREET	NEW YORK,	NY	10038	VIII
SEABOARD SURETY CO	88 PINE STREET	NEW YORK,	NY	10005	REG 3
SEABOARD SURETY CO. OF NEW YORK	20 NORTH WACKER DRIVE	CHICAGO,	ILLINOIS	60606	REG V
SEABOARD SURETY COMPANY	SUITE 2112	TORONTO,	ONTARIO	M5H3P5	VIII
SECURITY ASSURANCE COMPANY	2929 N. 44TH ST.	PHOENIX,	AZ	85018	VIII
SECURITY BENEFIT LIFE INS CO	700 HARRISON ST	TOPEKA,	KS	66636	VIII
SECURITY CONNECTICUT LIFE INS CO	20 SECURITY DR	AVON,	CT	06001	VIII
SECURITY INSURANCE CO OF HARTFORD	9 FARM SPRINGS DRIVE	FARMINGTON,	CT	06032	VIII

INVENTORY OF BONDING CO.'S ACTIVE  
NATIONALLY IN UIC/PRIMACY PROGRAMS

COMPANY NAME	STREET ADDRESS	CITY	STATE	ZIP	REGION	
SECURITY LIFE INS CO OF AMERICA		1200 SECOND AVENUE S	MINNEAPOLIS,	MN	55403	VIII
SECURITY LIFE OF DENVER INS CO	SECURITY LIFE BUILDING	DENVER,	CO	80202	VIII	
SECURITY MUTUAL LIFE INS CO	CENTENNIAL MALL NO	LINCOLN,	NE	68508	VIII	
SECURITY NATIONAL INSURANCE CO	2000 ROSS AVE	DALLAS,	TX	75201	VIII	
SECURITY NATIONAL LIFE	5251 GREEN STREET	SALT LAKE CITY,	UT	84123	VIII	
SECURITY NATIONAL CO OF DALLAS	4600 TULLER DR	IRVING,	TX	75038	VIII	
ST. PAUL FIRE & MARINE INS. COMPANY	12250 EAST ILIFF AVENUE	ALBUQUERQUE,	NM	80014	VIII	
ST. PAUL FIRE & MARINE INSURANCE		GRAND RAPIDS,	MI	49500	REG V	
THE ALINA CASUALTY AND SURETY COMPANY	151 FARMINGTON AVENUE	HARTFORD,	CT	06156	REG 3	
THE GENERAL ACCIDENT		MI, PLEASANT	MI	48058	REG V	
THE HARTFORD		GRAND RAPIDS,	MI	49506	REG V	
THE HOMES ORGANIZATION		THE SA,	OK	74135	REG V	
THE LIFE & CAS INSURANCE CO	101 GREEN MEADOWS DRIVE	COLUMBUS,	OH	43216	REG V	
TRANSAMERICA INSURANCE CO		GRAND RAPIDS,	MI	49503	REG V	
TRANSAMERICA LIFE INS & ANNUITY CO	1150 SOUTH OLIVE ST	LOS ANGELES,	CA	90015	VIII	
TRANSAMERICA ACCIDENTAL LIFE INS CO	1150 SO OLIVE ST	LOS ANGELES,	CA	90015	VIII	
TRANSAMERICA LIFE INS CO	17671 COWAN AVE	IRVING,	CA	92714	VIII	
TRANSAMERICAN INS. CO.	BOND DEPT., 5TH FLOOR	DALLAS,	TX	75234	VIII	
TRANSCONTINENTAL INS CO	ONE PLAZA	CHICAGO,	IL	60685	VIII	
TRANSET CASUALTY CO	130 S. BEMISTON #101	ST. LOUIS	MO	63105	VIII	
TRANSPORT INS CO	2100 FINANCIAL CENTER	DES MOINES,	IA	50309	VIII	
TRANSPORT LIFE INS CO	214 MAIN ST	FT WORTH,	TX	76102	VIII	
TRANSPORTATION INS CO	CNA PLAZA	CHICAGO,	IL	60685	VIII	
TRAVELERS COMPANIES	P. O. BOX 5980	DENVER,	CO	80217-5980	VIII	
TRAVELERS COMPANIES	100 NORTH PARK EAST	DALLAS,	TX	75266-0055	VIII	
TRAVELERS INDEMNITY CO	ONE TOWER SQUARE	HARTFORD,	CT	06183	VIII	
TRAVELERS INDEMNITY CO		HARTFORD,	CT	06115	REG V	
TRAVELERS INDEMNITY CO OF AMERICA	211 PERIMETER CIR E	ATLANTA,	GA	30346	VIII	
TRAVELERS INDEMNITY CO OF RHODE ISLAND	ONE EMPIRE PLAZA	PROVIDENCE,	RI	02903	VIII	
TRAVELERS INDEMNITY CO.	ONE CHATHAM CENTER	PITTSBURGH,	PA	15219	VIII	
TRAVELERS INDEMNITY CO.	ONE TOWER SQUARE	HARTFORD,	CT	06183	REG 3	
TRAVELERS INDEMNITY COMPANY OF AMERICA	ONE TOWER SQUARE	HARTFORD,	CT	06183	REG 3	
TRAVELERS INS CO	ONE TOWER SQUARE	HARTFORD,	CT	06183	VIII	
TRAVELERS INS CO OF ILLINOIS	200 W MADISON ST	CHICAGO,	IL	60606-3455	VIII	
TRAVELERS LIFE & ACCIDENT OF AMERICA	325 LINCOLN PLACE	MINNAPOLIS,	MN	55403	VIII	
THE STATE INS CO	619 S MAIN	IRVING,	TX	74119	VIII	
TRINITY UNIVERSAL INS CO	2000 ROSS AVE	DALLAS,	TX	75201	VIII	
TRUCK INS EXCHANGE	4680 WILSHIRE BLVD	LOS ANGELES,	CA	90010	VIII	
TRUCKING SERVICES CLUB OF AMERICA	5101 NORTH CLASSEN	OKLAHOMA CITY,	OK	73118	VIII	
U. S. FIRE INS. CO. 1	110 WILLIAM STREET	NEW YORK,	NY	10038	REG 3	
U.S. FIDELITY & GUARANTY CO.	100 LIGHT ST	BALTIMORE,	MD	21203	REG 3	
U.S.F. & G. CO. OF MARYLAND, CLAIMS MGR.	1900 WEST BIG BEAVER RD	IRVING,	MI	48084	REG V	
UNITED EQUITABLE INSURANCE COMPANY	7373 N. CIRC RD	LINCOLNWOOD,	IL	60646	VIII	
UNITED EQUITABLE LIFE INS CO	7373 CIRC RD	LINCOLNWOOD,	IL	60646	VIII	
UNITED FIDELITY LIFE INS CO	2300 CONTINENTAL PLA	FT WORTH,	TX	76102	VIII	
UNITED FIRE & CASUALTY CO	118 2ND AVENUE S E	CECER RAPIDS,	IA	52407	VIII	
UNITED GUARANTY RESIDENTIAL/IA	201 N. ELM ST	GREENSBORO,	NC	27401	VIII	
UNITED INS CO OF AMERICA	1 E WACKER DRIVE	CHICAGO,	IL	60601	VIII	
UNITED INVESTORS LIFE INS CO	2001 THIRD AVE S	BIRMINGHAM,	AL	35233	VIII	
UNITED LIFE & ACCIDENT INS CO	ONE GRANITE PLACE	CONCORD,	NH	03301	VIII	

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LIC/PRINACY PROGRAMS

COMPANY NAME	STREET ADDRESS		CITY	STATE	ZIP	REGION
UNITED LIFE INS CO	118 SECOND AVE SE		CEDAR RAPIDS,	IA	52401	VIII
UNITED OF OMAHA LIFE INS CO	MUTUAL OF OMAHA PLAZA		OMAHA,	NE	68175	VIII
UNITED PACIFIC	P.O. BOX 440709	GATEWAY STATION	AURORA,	CO	80044	VIII
UNITED PACIFIC INS. CO	4 PENN CENTER PLAZA		PHILADELPHIA,	PA	19103	REG 3
UNITED PACIFIC INSURANCE CO	33405 8TH AVE S C 3A	S C 3A	FEDERAL WAY,	WA	98003	VIII
UNITED PACIFIC INSURANCE COMPANY	4 PENN CENTER PLAZA		PHILADELPHIA,	PA	19103	REG.3
UNITED PACIFIC LIFE INS CO	33405 8TH AVE	S C 3A	FEDERAL WAY	WA	98003	VIII
UNITED SECURITY INS CO	1017 WALNUT ST		DES MOINES	IA	50207	VIII
UNITED SERVICES AUTOMOBILE ASSOCIATION	9896 FREDERICKSBURG		SAN ANTONIO,	TX	78208	VIII
UNITED SERVICES GENERAL LIFE	1109 N. FRANCIS		OKLAHOMA CITY	OK	73106	VIII
UNITED SERVICES LIFE INS CO	950 N. GLEBE RD		ARLINGTON,	VA	22203	VIII
UNITED STATES AUTO CLUB	1720 RUSKIN ST		IRVING,	TX	750622710	VIII
UNITED STATES FIDELITY	GUARANTY CO.	170 17TH STREET, #2000	DENVER,	CO	80202	VIII
UNITED STATES FIDELITY & GUARANTY CO	100 LIGHT ST		BALTIMORE,	MD	21203	VIII
VAN GILDER INSURANCE CORP.	700 BROADWAY	SUITE 1075	DENVER,	CO	80203-3444	VIII
WESTERN SURETY COMPANY		900 N. 10TH AVE N.	ST. LOUIS,	MO	63102	REG V

## **ATTACHMENT III**



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
REGION III

841 Chestnut Building  
Philadelphia, Pennsylvania 19107

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

Mr. Kerry T. Snow  
Mr. Thomas M. Snow  
Snow & Snow Oil Company  
P.O. Box 67  
Duke Center, PA 16729

RE: Issuance of Administrative Order on Consent (Windfall Hollow Facility)  
PAS2R930AMCK

Dear Messrs. Snow:

As you know, the U.S. Environmental Protection Agency (EPA) issued Snow & Snow Oil Company a notice of violation with a proposed Administrative Order on September 30, 1987. Those documents cited your company for violation of the Safe Drinking Water Act (Act) and the Underground Injection Control (UIC) regulations; specifically, your failure to submit an acceptable demonstration of financial responsibility and the necessary resources to close, plug, and abandon the rule authorized wells.

We had several telephone conversations with you in October concerning the violations at the Windfall Hollow facility and the various options available for compliance. These are incorporated in the text of the enclosed ADMINISTRATIVE ORDER ON CONSENT. Please review this document carefully and indicate your acceptance of these terms by signing and returning it to EPA within thirty days. If no comments are received during the thirty day period, I will sign the Order and transmit a copy back to you. The Order will become effective on the date of my signature.

If you have any questions on this matter, please contact George Hoessel of the UIC Section at (215) 597-9928.

Sincerely,

Alvin R. Morris, Director  
Water Management Division

Enclosure

cc:

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
REGION III

IN THE MATTER OF

Docket No. III-88-010-DS

Snow & Snow Oil Company  
Duke Center, PA 16729

FINDINGS OF VIOLATION  
AND ADMINISTRATIVE ORDER ON  
CONSENT

Windfall Hollow Facility,  
PAS2R930AMCK

Proceedings under Section  
1423(c) of the Safe Drinking  
Water Act, 42 U.S.C. § 300h-2(c)

STATUTORY AUTHORITY

The following Findings are made and ORDER ON CONSENT issued under the authority vested in the Administrator of the United States Environmental Protection Agency ("EPA") by Section 1423(c) of the Safe Drinking Water Act ("SDWA"), 42 U.S.C. § 300h-2(c). The Administrator has delegated the authority to take these actions to the Regional Administrator for Region III, who in turn has delegated them to the Water Management Division Director of EPA, Region III.

FINDINGS

1. Snow & Snow Oil Company, ("Respondent"), is a corporation organized under the laws of Pennsylvania and is authorized to do business in the Commonwealth of Pennsylvania and as such is a "person" within the meaning of Section 1401(12) of the SDWA, 42 U.S.C. § 300f(12).

-2-

2. Respondent owns and operates twenty-five (25) rule authorized Class II enhanced recovery injection wells on the Windfall Hollow facility as defined by 40 CFR §§ 144.3, 144.6, 146.3 and 146.5. These wells were inventoried with EPA on April 30, 1984, by the former owner, Russel A. Brennan, in compliance with 40 CFR § 144.26. Brennan notified EPA in a letter dated December 8, 1986, that the wells had been sold to the Respondent. The Windfall Hollow facility is located in Otto Township, McKean County, Pennsylvania.

3. 40 C.F.R. § 144.28(d) of the UIC regulations requires the owner or operator of a Class II well to maintain financial responsibility and resources to close, plug and abandon the underground injection operation in a manner prescribed by EPA. The financial responsibility assurance was due from the Respondent for the twenty-five (25) wells at the time of their purchase from Russel Brennan in December 1986. Respondent has failed to submit a complete and acceptable financial assurance document and is therefore in violation of 40 C.F.R. § 144.28(d).

4. On                      and                     , EPA Region III issued Notices of Noncompliance ("NON") and a proposed Administrative Order to the Respondent, citing the violation in Paragraph 3.

5. Respondent has demonstrated his inability to obtain an acceptable financial responsibility demonstration by submitting:

- (a) A financial statement reviewed and rejected by EPA; and
- (b) A rejected application for a letter of credit from your bank in the amount of \$                      ; or

-3-

(c) Two letters of rejection from registered bonding companies.

6. Respondent has therefore agreed to enter into a time payment trust agreement to meet EPA's financial responsibility requirements through an ADMINISTRATIVE ORDER ON CONSENT.

7. Respondent waives its rights to a hearing prior to entry of this ORDER ON CONSENT under Section 1423(c)(3)(A) of the SDWA, 42 U.S.C. § 300h-2(c)(3)(A), and to appeal the entry of the ORDER under Section 1423(c)(6) of the SDWA, 42 U.S.C. § 300h-2(c)(6). Respondent reserves all rights it may have under law to object to or contest matters not waived or stipulated herein, including, but not limited to, (1) the factual predicate of any imposition of stipulated penalties under Paragraph 11 of this ORDER ON CONSENT, and (2) any refusal of EPA to grant an extension of time under Paragraph 18 of this ORDER ON CONSENT.

ORDER ON CONSENT

Based on the foregoing Stipulations and Findings, having taken into account (1) Respondent's good faith efforts to comply with Part C of the SDWA and (2) such other matters as justice may require including the administrative record, under the authority of Section 1423(a), 42 U.S.C. § 300h-2(a) of the SDWA, I HEREBY ORDER and Respondent hereby stipulates that:

8. The provisions of this ORDER ON CONSENT shall apply to and be binding upon Respondent, its officers, directors, agents, servants, em-



ployees or any successors and assigns of the wells. Respondent must provide notice thirty days in advance of any transfer of ownership or operation of these wells. Notice of this ORDER ON CONSENT shall be given to any successors in interest of the wells prior to transfer of the facility or its operation. Except as provided hereinafter, action or inaction of all persons, firms, contractors, employees, agents or corporations acting under, through or for Respondent, shall not excuse any failure of Respondent to fully perform its obligations under this ORDER ON CONSENT. For purposes of this ORDER ON CONSENT, "Respondent" shall be defined to be the owners or operators of the wells, including any successors or assigns.

9. Respondent shall take the following actions in accordance with the following schedule to comply with the requirements of the SDWA:

- a. Enter into a trust agreement with a Federal or State recognized trust making institution in accordance with the model agreement identified in Exhibit I by (\_\_\_\_\_, 1988).
- b. Establish this trust in the amount of \$\_\_\_\_\_ with a provision to include additional payments into the trust over the time period 1988 - 1991.
- c. When any well listed in Exhibit 2 is reworked or reconstructed to enter into compliance with the SDWA, the UIC regulations and the applicable UIC program guidances, the Respondent shall make a minimum one-half payment of the well's plugging cost prior to requesting re-authorization to inject. Full payment for any well returned to compliance in this manner shall be required within 180 days of the well's re-authorization date.

- d. In any case where staggered payments are made as in paragraph 9(c) above, Respondent shall provide an up-dated trust agreement to EPA to document compliance with these provisions.
- e. Payment for all twenty-five (25) wells or the successful plugging and abandonment of wells not covered by the Respondent's efforts under this paragraph shall be completed by no later than May 1991.
- f. The total amount acceptable to EPA for full coverage shall be reevaluated every six months and shall be adjusted as necessary to allow for either increased costs or decreased plugging costs resulting from corrective action accomplished, wells plugged at the option of the Respondent and for any other relevant factors.

10. After the effective date of this ORDER ON CONSENT, Respondent shall not conduct any injection operations into the wells identified in Exhibit II unless a satisfactory demonstration of compliance with the SDWA, the UIC regulations and the applicable UIC Program Guidances and the Provisions of Paragraph 9 are first made to EPA.

11. In the event that Respondent violates any condition set forth in Paragraph 9, upon demand and public notice of the demand by the Director, Respondent shall pay stipulated penalties as follows:

- (a) Respondent agrees to pay a stipulated civil penalty for failure to meet the provisions of Paragraph 9(c) while restarting any injection well in the amount of \$100.00 per well for each day the failure continues.

-6-

(b) Respondent agrees to pay a stipulated penalty for un-  
authorized injection into any injection well at the Lawton  
injection facility in the amount of \$5,000.00 for each day  
that the injection occurs.

(c) EPA shall provide Respondent with written notice whenever  
it determines that Respondent has incurred a stipulated  
penalty as provided in Paragraphs 11(a) and 11(b) above.  
Penalty payments as stipulated herein, in the form  
of a certified or cashier's check made payable to the  
"Treasurer of the United States of America", shall be sent  
to the following address:

Regional Hearing Clerk  
U. S. EPA, Region III  
P. O. Box 36015 M  
Pittsburgh, Pennsylvania 15251

A copy of the check should be sent to the following address:

Regional Hearing Clerk  
U. S. EPA, Region III  
841 Chestnut Building  
Philadelphia, Pennsylvania 19107

12. (a) In any case in which a member of the public comments on  
the stipulated penalty demand, the commenter shall have the right, and  
EPA shall promptly inform the commenter of the right, to appeal the  
stipulated penalty demand under Section 1423(c)(6) of the SDWA, and EPA  
shall inform Respondent of the public comment and any subsequent appeal  
under Section 1423(c)(6).

(b) In any case in which Respondent contests the fact of an  
alleged violation of any condition set forth in Paragraph 9 or 10, Respondent

-7-

may request a hearing before the Regional Administrator under Section 1423 (c)(3)(A) of the SDWA, 42 U.S.C. § 300h-2(c)(3)(A).

13. (a) If EPA has not notified Respondent that there has been public comment on the demand, Respondent shall pay within forty-five (45) days after the demand; or

(b) If EPA has notified Respondent in accordance with Paragraph 12(a) above, Respondent shall pay:

(i) within seventy-five (75) days after the demand in cases of public comment without appeal; or

(ii) within ten (10) days of EPA's notice that the reviewing United States District Court has taken final action on the appeal by other than setting aside or remanding the stipulated penalty.

14. This ORDER ON CONSENT does not constitute a waiver, suspension or modification of the terms and conditions of the SDWA, UIC regulations or conditions of any permit issued thereunder.

15. Violation of the terms of this ORDER ON CONSENT after its effective date or date of final judgment in the event of an appeal by a commenter as described in Section 1423(c)(6) of the SDWA, 42 U.S.C. § 300h-2(c)(6), may subject Respondent to further enforcement action, including a civil action for enforcement of this ORDER ON CONSENT and penalties for violations of the compliance terms of this ORDER ON CONSENT under Section 1423(b) of the SDWA, 42 U.S.C. § 300h-2(b).

-8-

16. EPA shall have the authority, to the extent authorized by Section 1445 of the SDWA, 42 U.S.C. § 300j-4, to enter the injection facility and all related locations at reasonable times and upon written notice.

17. This ORDER ON CONSENT is not and shall not be interpreted to be a permit for the injection of fluids under Section 1421 of the SDWA, 42 U.S.C. § 300h, nor shall it in any way relieve Respondent of any obligation imposed by any permit issued thereunder, or of its obligation to comply with any provision of the SDWA, its implementing regulations, or any other local, state or federal law. Nothing contained herein shall be construed to prevent or limit EPA's rights to obtain penalties or injunctive relief for any future violations not otherwise covered by this ORDER ON CONSENT under Section 1423 of the SDWA, 42 U.S.C. § 300h-2, or other federal statutes and regulations.

18. If any event beyond the control of, and without the fault of, the Respondent occurs which causes or may cause a delay in the achievement of any requirement of this ORDER ON CONSENT, Respondent shall notify EPA orally, within four (4) days of the time Respondent has knowledge of the occurrence of such event and the fact that it will or may delay compliance. A written report of said event shall be submitted by certified mail to EPA within ten (10) days of the date Respondent became aware of the event. Said report shall describe the event, its cause and all attendant circumstances, and the measure(s) taken to prevent or

-9-

minimize any such event and to comply with the pertinent requirements of this ORDER ON CONSENT as soon as possible, and the timetable by which those measures are proposed to be implemented.

The burden of proving that any such event or failure is caused by circumstances beyond the control of and without fault of Respondent, and the length of delay attributable to such circumstances, shall rest with Respondent. Financial, economic, or business conditions, or changes in same, or unanticipated or increased costs or expenses, shall not relieve Respondent of any obligation imposed under the terms of this ORDER ON CONSENT, nor from payment of any penalty set forth in this ORDER ON CONSENT.

EPA will notify Respondent of its determination as to whether the circumstances are beyond Respondent's control. If so, the time for completion of the affected requirements shall be extended for a period equal to the excusable delay. Respondent shall waive its claim for an extension if it fails to provide written notice within ten (10) working days of the date Respondent first becomes aware of the delay, or if it fails to provide adequate proof of the cause of delay.

EFFECTIVE DATE

Pursuant to Section 1423(c)(3)(D) of the SDWA, 42 U.S.C. § 300h-2 (c)(3)(D), this ORDER ON CONSENT becomes effective thirty (30) days from the date on which Respondent receives this ORDER, unless an appeal

-10-

is taken by a person other than Respondent who has commented on the ORDER during said 30-day period pursuant to Section 1423(c)(6) of the SDWA, 42 U.S.C. § 300-2(c)(6).

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Alvin R. Morris, Director  
Water Management Division  
EPA, Region III

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Date

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Date

## **ATTACHMENT IV**



Draft Procedure for Obtaining A  
Plugging Contractor

- 1.) Write a memo (sample attached) to all known plugging companies with a Standard Industrial Classification (SIC) Code and Industry No. 1389, Group No. 138 who may be interested or who know of others who may be interested in participating in the bidding process. The memo should be sent on an area, county, state or regional basis as determined by the Director.
- 2.) Based on the number of companies who express an interest in participating in the bidding process, a list of companies should be developed for future bidding purposes. Every two years, the list could be formally updated by writing a memo to all known companies similar to the one referenced above.
- 3.) All turn-key plugging bids should be submitted on a standard plugging bid form (sample attached). If a subcontractor will be utilized for various aspects of the plugging job, this should be indicated and a discussion attached to the bid amount sheet.
- 4.) A time and date for the submission of plugging bids should be established and each bidding participant should be informed of this deadline. No bids should be opened or evaluated prior to the deadline.

Note: Only one bid will be declared acceptable. The other bids should be ranked, accordingly.

- 5.) A turn-key plugging job can be defined as an abandonment job that incorporates all the labor necessary, rigs, pipeline, tools and services, cement, water, electricity, bridge plugs, perforating equipment, wireline and other intangible workover instruments necessary to complete a plugging job based on an EPA approved plugging plan from start (move on rig) to finish (move off rig and restore land surface). Every turn-key plugging bid must take into account all workover intangible costs as well as labor cost.
- 6.) EPA shall, after determining an acceptable bid, direct the trustee, by certified letter, to engage the selected contractor at the agreed-upon price. Release of payment will be contingent upon the documentation of a satisfactory plugging job. EPA reserves the right to witness the plugging operation.

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

DRAFT MEMO TO TRUSTEE

Re: Transfer of Funds to the Trustee, \_\_\_\_\_,  
for plugging and abandonment purposes.

Dear \_\_\_\_\_:

On \_\_\_\_\_, 19\_\_\_\_, the U.S. Environmental Protection Agency (EPA) requested \_\_\_\_\_ to transfer funds from the following [bond or 1/c] into the Standby Trust held by \_\_\_\_\_.

<u>Name of well</u>	<u>[Bond or 1/c] No.</u>	<u>Amount</u>
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According to the Standby Trust Agreement executed on \_\_\_\_\_, 19\_\_\_\_, the Trustee shall provide payment for the cost of plugging and abandonment for the above injection well(s) upon receipt of a written notice from the EPA Regional Administrator. Payment must be made as designated in the written notice within fifteen (15) days after receipt of the notice.

The Trustee shall invest and reinvest the principal and income of the fund and keep the fund invested as a single fund, without distinction between principal and income, in accordance with general investment policies and guidelines and in accordance to Section 6 of the Standby Trust Agreement.

Within seven (7) days after receipt of funds into the Standby Trust Account, you should notify the Regional Administrator or delegatee of EPA, by certified mail, that the funds have been received. Commencing after initial transfer of the funds to the Standby Trust, you shall quarterly, at least ninety (90) days after receipt of the funds, furnish to EPA a statement confirming the value of the trust.

If you have additional questions or concerns do not hesitate to contact \_\_\_\_\_ of my staff at \_\_\_\_\_.

Sincerely,

Regional Administrator or Delegatee

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

DRAFT MEMO TO POTENTIAL  
PLUGGING CONTRACTOR

Re: Plugging and Abandonment to Potential  
Plugging Contractor

Dear \_\_\_\_\_:

The U.S. Environmental Protection Agency (EPA) is in the process of developing a list of contractors and/or consulting companies who may be interested in participating in the bidding process for turn-key plugging jobs.

A turn-key plugging job can be defined as an abandonment job that incorporates all the labor necessary, rigs, pipeline tools, and services, cement, water, electricity, bridge plugs, perforating equipment, wireline and other intangible workover instruments necessary to complete a plugging job based on an EPA approved plugging plan from start (move on rig) to finish (move off rig and restore land surface). Every turn-key plugging bid must take into account all workover intangible costs as well as labor cost.

Turn-key plugging procedures will be utilized in cases where the owner or operator of an injection well has defaulted on his regulatory responsibility for proper plugging and abandonment. All such plugging and abandonment operations will be either witnessed and/or reviewed at completion prior to release of any payment.

If you are interested or know of a company who may be interested in participating in the bidding process, please send the following information to the Regional Administrator or delegatee, U.S. EPA, [Address], Attention - Underground Injection Control:

Company Official  
Name of Company  
Address of Company  
Phone Number of Company  
Number of Years in the Plugging or Plugging Related Business  
Year Plugging or Plugging Related Business Founded  
List of Former Plugging Clients

If there are additional questions or concerns, do not hesitate to contact \_\_\_\_\_ of my staff at \_\_\_\_\_.

Sincerely,

Regional Administrator or Delegatee

# DRAFT PLUGGING BID FORM

LEASE NAME \_\_\_\_\_  
LOCATION \_\_\_\_\_

FIELD \_\_\_\_\_  
COUNTY & STATE \_\_\_\_\_

PLUGGING & ABANDONMENT  
ITEMIZATION OF COSTS

BID AMOUNT

Description	
WORKOVER INTANGIBLES	
Unit Time - Normal Operations	
Roads & Locations	
Transportation of Contractor's Equipment	
Fuel & Electricity	
Water	
Bits, Reamers & Cutters	
Mud Materials, Chemicals	
Fishing Tools, Services	
Well Surveys & Logging	
Special Services, Equipment Rentals, Safety Control	
Cementing	
Tubular Inspection	
Perforating & WIPELINE	
Supervision	
Workover Overhead	
Miscellaneous	
Testing	
WORKOVER TANGIBLES	
Packers & Down Hole Equipment & Cement Retainers & Bridge Plugs	
Tubing	
Wellhead - all connecting parts	
Flowline	
Controllable Valves	
Other Non-Controllable Equipment	
TOTAL BID AMOUNT	

COMPANY NAME OF BIDDER \_\_\_\_\_  
COMPANY OFFICIAL \_\_\_\_\_  
(NAME & TITLE)

DATE \_\_\_\_\_  
TIME OF SUBMISSION \_\_\_\_\_

- \_\_\_ Check if approved Plugging and Abandonment Plan is attached
- \_\_\_ Check if Plugging bid is for a turn-key plugging job as defined in instructions.

Draft Plugging and Abandonment  
Agreement Between the Trustee and Plugging Contractor

THIS PLUGGING AND ABANDONMENT AGREEMENT (the "Agreement") has been entered into as of \_\_\_\_\_ by and between \_\_\_\_\_,  
(date) (name of plugging contractor)

a \_\_\_\_\_, the "Plugging  
(name of state) (corporation, partnership  
association, or proprietorship)  
Contractor", and \_\_\_\_\_ the "Trustee".  
(name of Trustee)

WHEREAS, the U. S. Environmental Protection Agency ("EPA"), an agency of the United States Government, has established certain regulations applicable to the plugging and abandonment of the subject well(s) at:

(Name of facility)	Location	Field	State
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Whereas, the Plugging Contractor has been selected by EPA to be the Plugging Contractor under this agreement, and the Plugging Contractor has agreed to act as the plugging contractor.

Whereas, the Trustee has agreed to act as the trustee.

NOW, THEREFORE, the Plugging Contractor and Trustee agree as follows:

Section 1. Definitions. As used in this agreement

- (A) "Plugging Contractor" means the individual or company who enters into this agreement or any successor or assign of the Plugging Contractor that agrees to plug and abandon the subject wells in accordance with the terms and conditions of this document.
- (B) "Trustee" means the Trustee who enters into this agreement and any successor trustee responsible for management and disbursement of funds generated by a fortified bond, letter of credit or other mechanism for the purposes of plugging and abandonment operation.
- (C) "Facility" or "activity" means any underground injection well or any facility or activity that is subject to regulation by EPA under the Underground Injection Control Program.

- (D) "Turn-key plugging job" means a plugging and abandonment job that incorporates all necessary labor, rigs, pipeline, tools, cement, services, water, electricity, bridge plugs, perforating equipment, wireline and equipment necessary to complete a plugging job based on an EPA-approved plugging plan from start (move on rig) to finish (move off rig and restore land surface). Every turn-key plugging job bid must take into account all workover intangible costs as well as labor costs.
- (E) "Grantor" of the Standby Trust means the owner or operator who entered into the Standby Trust Agreement and who has defaulted on his regulatory responsibility for proper plugging and abandonment.
- (F) "EPA-approved plugging and abandonment plan" means the procedure which details the necessary components of an adequate plugging and abandonment job for a facility as described by the Regional Administrator or the delegatee.

## Section 2. Identification of Facilities and Plugging Estimate

This agreement pertains to the facilities and plugging cost estimates identified in Schedule A, attached hereto and by this reference made a part hereof. Schedule A lists, for each facility, the EPA Permit Number, if applicable, the name, location, state and field of the well or wells and the EPA-accepted plugging cost estimate.

## Section 3. Performance of Turn-Key Plugging

Within \_\_\_\_\_ days of the execution of this Agreement, the Plugging Contractor must complete the turn-key plugging job in a manner that is acceptable to the Regional Administrator or the delegatee. The Plugging Contractor accepts responsibility for assuring that the well is plugged according to the EPA approved Plugging and Abandonment Plan and must submit adequate documentation of the same.

## Section 4. Plugging and Abandonment Payment

The Trustee shall make payment to the Plugging Contractor as the EPA Regional Administrator or the delegatee shall direct, in writing, for the cost to plug and abandon the injection well(s) covered by this Agreement. Payment must be made as designated in the written notice within fifteen (15) days after receipt of the notice. The amount due and payable to the Plugging Contractor shall be no greater than the amount EPA determined to be acceptable during the bidding process. Release of payment will be contingent upon and subject to adequate documentation that the well was plugged in a manner acceptable to EPA. EPA reserves the right to witness the plugging operation.

Section 5. Successor Trustee.

The Trustee may resign or the Grantor of the Trust may replace the Trustee, in compliance with the terms of the Trust Agreement. The successor trustee shall have the same powers and duties as those conferred upon the Trustee hereunder. The successor trustee shall give the Plugging Contractor at least ten (10) days written notice of the date on which it shall assume administration of the Trust, and shall notify the Plugging Contractor of how to contact the successor trustee and all other relevant information.

Section 6. Successor Plugging Contractor.

The Plugging Contractor may resign or the EPA may replace the Plugging Contractor, but such resignation or replacement shall not be effective until EPA has appointed a successor Plugging Contractor and this successor accepts the appointment. The successor Plugging Contractor shall have the same powers and duties as those of the original Plugging Contractor hereunder. Upon the successor Plugging Contractor's acceptance of the appointment, the original Plugging Contractor shall assign or transfer the responsibility to plug and abandon the subject wells to the successor Plugging Contractor. The successor Plugging Contractor shall specify the date on which it assumes responsibility to properly plug and abandon as EPA has designated, in a writing sent to the Trustee, the EPA Regional Administrator or the delegatee, and the present Plugging Contractor by certified mail ten (10) days before such change becomes effective.

Section 7. Amendment of Agreement.

This agreement may be amended only by written agreement subsequent to the written approval of the Plugging Contractor and the Trustee with the EPA Regional Administrator, or the delegatee.

Section 8. Irrevocability and Termination.

Subject to the right of the parties to amend this agreement as provided in Section 7, this agreement shall be irrevocable and shall continue until the subject well(s) are plugged and abandoned as approved by the EPA.

Section 9. Choice of Law.

This Agreement shall be administered, construed, and enforced according to the laws of the State of \_\_\_\_\_.  
(Name of state)

Section 10. Interpretation.

As used in this Agreement, words in the singular include the plural and words in the plural include the singular. The descriptive headings for each Section of this Agreement are for convenience only and shall not affect the interpretation or legal efficacy of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers duly authorized and the corporate seals to be hereunto affixed and attested as of the date first above written.

By: \_\_\_\_\_  
(Signature of Plugging Contractor Official)

\_\_\_\_\_  
(Title)

Attest: \_\_\_\_\_

Its: \_\_\_\_\_  
(Title)

(SEAL)

By: \_\_\_\_\_  
(Signature of Trustee)

\_\_\_\_\_  
(Title)

Attest: \_\_\_\_\_

Its: \_\_\_\_\_  
(Title)

(SEAL)



SCHEDULE A

Identification of Facilities and Cost Estimates

Schedule A is referenced in the trust agreement dated \_\_\_\_\_  
by and between \_\_\_\_\_,  
the "plugging contractor", and \_\_\_\_\_  
(Name of Trustee)

EPA Permit No., if applicable

Name of facility

Location of facility (Section, Township, Range)

Field

State

EPA-accepted plugging and  
abandonment cost estimate (BID)

Date of estimate (BID)

EPA Permit No., if applicable

Name of facility

Location facility (Section, Township, Range)

Field

State

EPA-accepted plugging and  
abandonment cost estimate (BID)

Date of estimate (BID)

DRAFT LETTER TO THE GUARANTOR

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

REF: 4WM-GF

Re: Transfer of [ ] Surety Bond/Letter of Credit Amounts  
into Standby Trust Fund

Dear

Upon receipt of your notice of cancellation dated [ ], the  
U. S. Environmental Protection Agency (EPA) requested [ ]  
to submit to EPA alternate financial assurance by [ ]. To  
date, EPA has not received alternative financial assurance from \_\_\_\_\_.

Pursuant to the Surety Performance Bond/Letter of Credit Agreement executed  
on [ ], by [ ] and you, I hereby  
notify your company to place the following Bond(s)/Letter(s) of Credit  
into the Standby Trust held by the [ ]:

Name of Well

Bond/Letter of Credit No.

Amount

Within seven (7) days of receipt of this letter, you are requested to  
notify EPA, by certified mail, that the funds have been placed into the  
Standby Trust for \_\_\_\_\_ for the purposes of plugging and  
abandonment.

If there are any additional questions or concerns, do not hesitate to contact [ ] of my staff at (404) 347-3866.

Sincerely yours,

Regional Administrator  
or  
Delegatee

cc: Trust Company